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STATE FOR WHA - A/S SHANNON
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E.O. 12958: DECL: 10/15/2017

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SUBJECT: TRADE MINISTER: BEAT PMG BY RATIFYING THE TPA

Classified By: Ambassador William A. Eaton - Reasons 1.5 (b and d)

¶11. (C) Summary: Trade Minister Alejandro Ferrer cautioned the U.S. on October 11 to not turn its back on its friends. He argued that USG ratification of the U.S.-Panama Trade Promotion Agreement (TPA) would be the best way to beat back Pedro Miguel Gonzalez (PMG) and others of his ilk in the PRD.

Ferrer is looking for the right moment to depart the Torrijos administration. Although he may return to private law practice, he appears increasingly likely to make a run for political office. Ferrer has flirted with a possible alliance with his ideological opposite, Torrijos' highly popular Housing Minister Balbina Herrera. However, it would be an uneasy alliance and Ferrer would have to overcome his image as a technocrat linked to Panama's elites. End summary.

Ferrer: Ratify the TPA to Beat PMG & His Ilk

¶12. (C) "If you turn your back on your friends and don't ratify the TPA, then Pedro Miguel Gonzalez wins," Minister of Industry & Commerce Alejandro ("Andy") Ferrer told Ambassador on October 11. Ferrer said that many of the PRD's rank and file in the National Assembly voted for the TPA because it was President Torrijos' priority, not out of any conviction about the importance of free trade. U.S. delay or rejection of the TPA, he said, would simply empower PMG and others of his ilk who were never enamored with free trade to begin with. Ferrer stressed that ratifying the TPA would enable the U.S. to "lock in" safeguards against GOP backsliding and boost pressures for market-friendly institutional reforms.

¶13. (C) Although Ferrer saw no signs of any moves by PMG to step down, he also cautioned against reading the PRD's support for PMG as "monolithic." He said a number of PRD members of the National Assembly (NA) have told him privately that they realized how badly they erred in elevating PMG and that they recognize that closer political and commercial ties with the U.S. are in Panama's best interest. However, since PMG's September 1 ascension, Ferrer himself has avoided appearances before the National Assembly. For example, despite being called before a NA committee to testify on October 10 on his ministry's budget, Ferrer sent his Vice Minister in his stead. He said it's his way of expressing his disgust for their misguided choice of PMG.

Ferrer Mulls Likely Exit . . .

¶4. (C) With his former law partners beckoning him to return to private practice and politicians eyeing him as a potential candidate, Ferrer said he is looking for "the right moment" to step down. He said he would likely do so in the next couple of months and that he was figuring the TPA's fate into his decision as to when (not if) to resign. Widely regarded as the GOP's top voice for market-friendly policies, Ferrer recognized that his exit could worry the private sector and foreign investors. Knowing that no private sector leader worth his or her salt would want to join the GOP for Torrijos' final year, he said he "wakes up at 3 a.m. in cold sweat" over fears that he could be replaced by a PRD hack who might undo his pro-trade, pro-market gains. He said he will likely recommend that Torrijos elevate his Vice Minister, Carmen Gisela Vergara, to head the ministry. Ferrer called her "smart, hard-working, and honest," adding that even if she lacks a deft political touch, he would be available to her for advice.

. . . and His Political Future

¶5. (C) In what might be an unlikely pairing, Balbina Herrera, Torrijos' highly popular left-wing Minister of Housing, has actively cultivated Ferrer over the past six months, inviting him to lunch virtually every week to seek his "advice and vision" on economic issues. Ferrer said that she expects the campaigns of PRD presidential hopefuls VP/Foreign Minister Samuel Lewis Navarro and Panama City Mayor Juan Carlos Navarro will ultimately fizzle. If so, she would make her move for the presidency. (To date, Herrera has not publicly signaled any aspiration for the presidency.)

Ferrer claimed that she had previously seen him as the only real threat, either from within the PRD (should he register as a party member - which he is hesitant to do) or as part of an opposition ticket. She and other PRD hardliners such as Hector Aleman had previously attacked Ferrer internally to try to diminish his stature. Failing that, he said, Herrera now appears interested in attracting him to her ticket, giving her greater credibility with a skeptical private sector. Clearly intrigued by this prospect, Ferrer stressed that he would have to have some long discussions and clear understandings were he to join someone with whom he "disagrees on so many things."

¶6. (C) Regardless of his courtship with Herrera, Ferrer was certain that if he doesn't make a run for national office in 2009, that he would certainly do so in 2014. He acknowledged that his image as a technocrat and as free marketer is unlikely to garner broad popular appeal. But were he to run, Ferrer said he would want to "speak from the heart" about Panama's promise and its challenges (e.g., weak institutions), even if he were to only end up with negligible support. "I can always go back to my law practice knowing that I gave it my best shot," he said.

Comment

¶7. (C) Ferrer is widely viewed among private sector and foreign investor contacts as the GOP's best advocate for market-friendly policies. Any alliance with Balbina Herrera would be uneasy, at best. Moreover, despite offering "street cred" on economic and corruption issues, Ferrer would have an uphill push to overcome his image as a technocrat linked to Panama's elites. End comment.

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